

**STILLWATER COUNTY
COLUMBUS, MONTANA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

**2810 CENTRAL AVENUE, SUITE B
BILLINGS, MONTANA 59102
(406) 252-6230
FAX (406) 245-6922**

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STILLWATER COUNTY

ORGANIZATION

June 30, 2009

BOARD OF COUNTY COMMISSIONERS

Maureen Davey	Board Chairperson
Dennis Hoyem	Commissioner
Dennis Shupak	Commissioner

ELECTED OFFICIALS

Pauline Mishler	County Clerk and Recorder
Beverly McCurry	County Treasurer
Cliff Brophy	County Sheriff/Coroner
John Petak III	County Attorney/Public Administrator
Judy Martin	County Superintendent
Sandra Fox	Clerk of District Court
Marilyn Kober	Justice of the Peace

OLNESS & ASSOCIATES, P. C.

BRENT D. OLNESS, CPA
CURT D. WYSS, CPA

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

2810 CENTRAL AVENUE, SUITE B
BILLINGS, MONTANA 59102
(406) 252-6230
FAX (406) 245-6922

INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Stillwater County
Columbus, Montana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Stillwater County, Montana (the government) as of and for the year ended June 30, 2009, which collectively comprise the government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the government's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Because the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities, we were unable to form an opinion regarding the amounts at which inventory was recorded in the governmental activities, the road fund and the aggregate remaining fund information.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amounts at which inventory was recorded in the governmental activities, the road fund and the aggregate remaining fund information, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the road fund and the aggregate remaining fund information of the government, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund, excluding the road fund, for the government, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2010, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe that the management's discussion and analysis is not in conformity with accounting principles generally accepted in the United States because it did not contain all of the elements required by GASB Statement No. 34, as amended by GASB Statement No. 37.

Olness & Associates, PC

January 7, 2010

STILLWATER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

Our discussion and analysis of the financial performance provides an overview of the government's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with our financial statements which begin on page 7.

FINANCIAL HIGHLIGHTS

- Net assets of the governmental and business-type activities increased by \$1,743,091 and \$49,819, respectively.
- In the business-type activities, charges for services decreased to \$593,339 from \$646,727 and expenses decreased \$20,857.
- The Public Safety fund required an adjustment to the budget in order to meet obligations regarding the housing of prisoners. The number of prisoner days continues to increase as do expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the government as a whole and present a longer-term view of the finances. For governmental activities, fund statements tell how these services were financed in the short term, as well as, what remains for future spending. Fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the government acts solely as a trustee or agent for the benefit of those outside of the government.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide financial statements One of the most important questions asked about the government's finances is, "Is the county as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities (pages 7 and 8) report information about the government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net assets and changes in them. You can think of net assets—the difference between assets and liabilities—as one way to measure the county's financial health, or financial position. Over time, increases or decreases in net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the property tax base and the condition of the capital assets, to assess the overall health.

In the Statement of Net Assets and the Statement of Activities, our government is divided into two kinds of activities:

Governmental activities—Basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.

Business-type activities—Fees are charged to customers to help cover all or most of the cost of certain services provided. The solid waste services are reported here.

Fund financial statements The fund financial statements (pages 9 and 11) provide detailed information about the most significant funds—not the government as a whole. Some funds are required to be established by State law and by bond covenants. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. We utilize the following funds:

Governmental funds—Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations (pages 10 and 12, respectively).

Proprietary funds—Fees are charged to customers for the services provided—whether to outside customers or to other units of the government—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other programs and activities—such as the Self-Insurance fund.

STILLWATER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the same basis of accounting as proprietary funds. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE GOVERNMENT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In our case, net assets increased \$1,792,910 for the year ended June 30, 2009.

NET ASSETS:	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 12,881,644	\$ 11,709,200	\$ 522,890	\$ 452,414	\$ 13,404,534	\$ 12,161,614
Capital assets	8,047,100	7,440,300	715,250	771,023	8,762,350	8,211,323
Total assets	20,928,744	19,149,500	1,238,140	1,223,437	22,166,884	20,372,937
Other liabilities	295,763	127,629	-	-	295,763	127,629
Long-term liabilities outstanding	788,697	920,678	259,676	294,792	1,048,373	1,215,470
Total liabilities	1,084,460	1,048,307	259,676	294,792	1,344,136	1,343,099
Net assets:						
Invested in capital assets, net of related debt	7,515,931	6,765,167	495,055	510,494	8,010,986	7,275,661
Restricted	7,396,586	6,809,946	-	-	7,396,586	6,809,946
Unrestricted	4,931,767	4,526,080	483,409	418,151	5,415,176	4,944,231
	<u>\$ 19,844,284</u>	<u>\$ 18,101,193</u>	<u>\$ 978,464</u>	<u>\$ 928,645</u>	<u>\$ 20,822,748</u>	<u>\$ 19,029,838</u>

CHANGE IN NET ASSETS:	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2009
Revenues:						
Program revenues:						
Charges for services	\$ 678,349	\$ 774,269	\$ 593,339	\$ 646,727	\$ 1,271,688	\$ 1,420,996
Operating grants and contributions	1,546,782	1,535,415	-	-	1,546,782	1,535,415
Capital grants and contributions	419,819	43,936	-	-	419,819	43,936
General revenues:						
Taxes	4,180,206	4,095,134	-	-	4,180,206	4,095,134
Licenses and permits	75	65	-	-	75	65
Intergovernmental	1,339,273	1,268,947	-	-	1,339,273	1,268,947
Interest	232,757	390,509	8,447	11,882	241,204	402,391
Inc (dec) in fair value of investments	-	33,739	-	-	-	33,739
Miscellaneous	38,626	47,617	-	572	38,626	48,189
Gain on disposal of capital assets	-	31,121	912	-	912	31,121
Total revenues	<u>8,435,887</u>	<u>8,220,752</u>	<u>602,698</u>	<u>659,181</u>	<u>9,038,585</u>	<u>8,879,933</u>

**STILLWATER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS**

CHANGE IN NET ASSETS: (continued)	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2009
Expenses:						
General government	1,915,742	1,815,783	-	-	1,915,742	1,815,783
Public safety	1,456,256	1,331,457	-	-	1,456,256	1,331,457
Public works	2,257,540	2,066,156	-	-	2,257,540	2,066,156
Public health	232,153	190,949	-	-	232,153	190,949
Social and economic services	122,447	110,769	-	-	122,447	110,769
Culture and recreation	187,523	158,410	-	-	187,523	158,410
Housing and community development	69,604	467,332	-	-	69,604	467,332
Solid waste	-	-	552,879	573,736	552,879	573,736
Other current charges	50,514	72,724	-	-	50,514	72,724
Interest on long-term debt	26,177	16,194	-	-	26,177	16,194
Intergovernmental	374,840	360,354	-	-	374,840	360,354
Total expenses	6,692,796	6,590,128	552,879	573,736	7,245,675	7,163,864
Change in net assets	1,743,091	1,630,624	49,819	85,445	1,792,910	1,716,069
Net assets, beginning	18,101,193	16,470,569	928,645	843,200	19,029,838	17,313,769
Net assets, ending	<u>\$ 19,844,284</u>	<u>\$ 18,101,193</u>	<u>\$ 978,464</u>	<u>\$ 928,645</u>	<u>\$ 20,822,748</u>	<u>\$ 19,029,838</u>

The taxable value of the county increased by \$601,151 to \$33,520,154. Cash reserves have been steady for most levied funds, but overall the cash reserves have increased for the county, most notably from the Metal Mines Tax Reserve fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, a fund must meet each of the two following criteria. Governments may choose to report other governmental and enterprise funds as major funds, even though they do not meet this test. The General fund is always reported as a major fund.

Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds).

The same element that met the 10 percent criterion must also be at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

The General fund fund balance decreased 9,916 because of lower revenues for charges for services.

The Road fund fund balance increased \$290,560 because of a vacancy savings in the Road Department and significantly lower fuel costs. In addition, the full funding of the Secure Rural Schools act, resulted in a significant increase in revenue for the Road fund.

The Public Safety fund fund balance increased 138,043. This was achieved by transferring some expenses for prisoner care to the P.I.L.T. fund and better monitoring of expenses.

The Hard Rock Mine Trust fund fund balance increased \$553,193 because of the money received from the Metal Mines Tax on both the Nye mine and East Boulder mine. This money is set aside for use only when certain economic conditions are met.

CAPITAL ASSET AND DEBT ADMINISTRATION

Stillwater County currently has the following outstanding loans for purchases of capital assets:

The Road department purchased new motor graders that were funded with an INTERCAP loan. The amount outstanding is \$276,296, with final payment due in 2014.

The Solid Waste district has several outstanding loans for the construction of the new Solid Waste Building. The loan is identified as number 1068-01 and has an outstanding balance of \$220,195. The final payment is due to be completed on August 15, 2020.

Stillwater County also obtained an InterCap Loan for the purchase of a building to house the County Attorney offices. The loan is identified by number 2065-01. The balance of the loan is \$ 82,391 and has a scheduled payoff date of February 15, 2016.

STILLWATER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

The Airport Fund has an outstanding loan with the Montana Aeronautics for a runway resurfacing project. The outstanding loan balance is \$750 and is scheduled to be paid off February 15, 2014.

The 911 Emergency Fund obtained two InterCap Loans for the remodel of the old Jail to become the new Dispatch Center. An InterCap Loan identified as 2128 has an outstanding balance of \$107,127 for the remodel and another loan identified as loan 2129 for the equipment, has an outstanding balance of \$51,322 and \$64,605 and will be requested for the major equipment. The loans will be repaid out of the revenues from this fund. Loan number 2128 will be paid off in 2017, and loan 2129 will be completed in 2012.

THE GOVERNMENT'S FUTURE

Stillwater County will be monitoring the recent increase in protested taxes and the increasing pressure on the Public Safety fund budget more specifically. Increased jail time for prisoners has caused a marked increase in the cost of housing the prisoners in the Yellowstone County Jail.

Other levied funds have seen pressure to provide more services and yet the limits on the growth of tax revenue have called for a continued need for funds that have been paid under protest from the centrally assessed utility companies. Growth within the County has continued and has helped with increasing taxable valuations.

The County has also started to place more emphasis on increasing the cash reserves of each of the levied funds and the cash balances of those funds.

STILLWATER COUNTY
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 9,577,441	\$ 427,993	\$ 10,005,434
Investments	2,898,442	49,093	2,947,535
Receivables:			
Taxes and assessments	208,484	40,215	248,699
Governments	97,652	-	97,652
Solid waste	-	4,677	4,677
Stop loss reimbursement	11,663	-	11,663
Auction proceeds	16,739	912	17,651
Due from fiduciary funds	24,689	-	24,689
Inventories	46,534	-	46,534
Capital assets, net:			
Land and construction in progress	656,281	6,983	663,264
Depreciable capital assets, net	7,390,819	708,267	8,099,086
Total assets	20,928,744	1,238,140	22,166,884
LIABILITIES			
Accounts payable:			
Vendors	86,091	-	86,091
Claims	63,972	-	63,972
Due to other governments	145,700	-	145,700
Long-term liabilities:			
Due within one year:			
Notes payable	96,907	40,334	137,241
Compensated absences	25,753	3,948	29,701
Due in more than one year:			
Notes payable	434,262	179,861	614,123
Compensated absences	231,775	35,533	267,308
Total liabilities	1,084,460	259,676	1,344,136
NET ASSETS			
Invested in capital assets, net of related debt	7,515,931	495,055	8,010,986
Restricted for:			
Metal mines	7,391,539	-	7,391,539
Gas tax	5,047	-	5,047
Unrestricted	4,931,767	483,409	5,415,176
Total net assets	\$ 19,844,284	\$ 978,464	\$ 20,822,748

STILLWATER COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ 1,915,742	\$ 237,101	\$ 427,542	\$ 7,015	\$ (1,244,084)	\$ -	\$ (1,244,084)
Public safety	1,456,256	186,411	193,419	-	(1,076,426)	-	(1,076,426)
Public works	2,257,540	223,922	317,281	412,804	(1,303,533)	-	(1,303,533)
Public health	232,153	19,053	15,082	-	(198,018)	-	(198,018)
Social and economic services	122,447	-	-	-	(122,447)	-	(122,447)
Culture and recreation	187,523	11,862	31,198	-	(144,463)	-	(144,463)
Housing and community development	69,604	-	-	-	(69,604)	-	(69,604)
Other current charges	50,514	-	-	-	(50,514)	-	(50,514)
Interest on long-term debt	26,177	-	-	-	(26,177)	-	(26,177)
Intergovernmental	374,840	-	562,260	-	187,420	-	187,420
Total governmental activities	6,692,796	678,349	1,546,782	419,819	(4,047,846)	-	(4,047,846)
Business-type activities:							
Solid waste	552,879	593,339	-	-	-	40,460	40,460
Total business-type activities	552,879	593,339	-	-	-	40,460	40,460
Total	\$ 7,245,675	\$ 1,271,688	\$ 1,546,782	\$ 419,819	(4,047,846)	40,460	(4,007,386)
General revenues:							
Property taxes					4,180,206	-	4,180,206
Licenses and permits					75	-	75
Intergovernmental					1,339,273	-	1,339,273
Unrestricted investment earnings					232,757	8,447	241,204
Miscellaneous					38,626	-	38,626
Gain on disposal of capital assets					-	912	912
Total general revenues					5,790,937	9,359	5,800,296
Change in net assets					1,743,091	49,819	1,792,910
Net assets - beginning					18,101,193	928,645	19,029,838
Net assets - ending					\$ 19,844,284	\$ 978,464	\$ 20,822,748

STILLWATER COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Road	Airport	Public Safety	Hard Rock Mine Trust	Metal Mines Tax Reserve	PILT	Other Governmental Funds	Total Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 644,468	\$ 543,001	\$ 1,445	\$ 195,661	\$ 4,247,743	\$ 1,011,950	\$ 1,109,066	\$ 1,409,524	\$ 9,162,858
Investments	73,923	91,120	242	32,833	2,107,733	169,813	186,110	236,668	2,898,442
Receivables:									
Taxes and assessments	59,399	48,505	-	33,058	-	-	-	67,522	208,484
Governments	4,905	-	51,665	-	-	-	-	41,082	97,652
Auction proceeds	4,131	8,336	-	1,051	-	-	-	3,221	16,739
Due from fiduciary funds	-	-	-	-	-	-	24,689	-	24,689
Inventories	-	29,737	-	-	-	-	-	16,797	46,534
Total assets	\$ 786,826	\$ 720,699	\$ 53,352	\$ 262,603	\$ 6,355,476	\$ 1,181,763	\$ 1,319,865	\$ 1,774,814	\$12,455,398
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable-vendors	\$ -	\$ 3,150	\$ 53,288	\$ -	\$ -	\$ -	\$ -	\$ 29,653	\$ 86,091
Payable to other governments	-	-	-	-	-	145,700	-	-	145,700
Deferred revenue	59,399	48,505	-	33,058	-	-	-	67,522	208,484
Total liabilities	59,399	51,655	53,288	33,058	-	145,700	-	97,175	440,275
Fund balances:									
Reserved for:									
Inventories	-	29,737	-	-	-	-	-	16,797	46,534
Metal mines	-	-	-	-	6,355,476	1,036,063	-	-	7,391,539
Unreserved	727,427	639,307	64	229,545	-	-	1,319,865	-	2,916,208
Unreserved, reported in non-major:									
Special revenue funds	-	-	-	-	-	-	-	1,639,197	1,639,197
Capital projects funds	-	-	-	-	-	-	-	21,645	21,645
Total fund balances	727,427	669,044	64	229,545	6,355,476	1,036,063	1,319,865	1,677,639	12,015,123
Total liabilities and fund balances	\$ 786,826	\$ 720,699	\$ 53,352	\$ 262,603	\$ 6,355,476	\$ 1,181,763	\$ 1,319,865	\$ 1,774,814	\$12,455,398

STILLWATER COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balances, governmental funds	\$ 12,015,123
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net assets.	8,047,100
Certain long-term assets are not available to pay current period expenditures and, therefore, are deferred in the fund financial statements.	208,484
The assets and liabilities of the internal service fund (self-insurance) are not included in the fund financial statements, but are included in the governmental activities of the statement of net assets.	362,274
Some liabilities (such as notes payable and compensated absences) are not due and payable in the current period and, therefore, are not included in the fund financial statements, but are included in the governmental activities of the statement of net assets.	<u>(788,697)</u>
Net assets of governmental activities	<u>\$ 19,844,284</u>

STILLWATER COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Road	Airport	Public Safety	Hard Rock Mine Trust	Metal Mines Tax Reserve	PILT	Other Governmental Funds	Total Governmental Funds
REVENUES									
Taxes and assessments	\$ 1,225,804	\$ 925,934	\$ -	\$ 750,287	\$ -	\$ -	\$ -	\$ 1,688,161	\$ 4,590,186
Fines and forfeitures	81,880	-	-	27,580	-	-	-	12,827	122,287
Licenses and permits	10,850	7,399	-	4,200	-	-	-	-	22,449
Intergovernmental	197,970	370,460	93,218	168,097	427,070	563,277	574,328	909,943	3,304,363
Charges for services	266,799	17,971	4,231	33,561	-	-	-	71,207	393,769
Investment earnings	68,191	-	240	-	126,123	22,272	-	10,142	226,968
Miscellaneous	15,396	4,029	50	10,588	-	-	-	13,981	44,044
Total revenues	1,866,890	1,325,793	97,739	994,313	553,193	585,549	574,328	2,706,261	8,704,066
EXPENDITURES									
Current:									
General government	1,453,624	687	-	-	-	13,854	192	350,154	1,818,511
Public safety	144,605	-	-	788,602	-	-	54,881	366,214	1,354,302
Public works	2,123	828,252	12,422	-	-	-	-	1,205,100	2,047,897
Public health	157,555	-	-	7	-	-	-	64,394	221,956
Social and economic services	22,097	-	-	-	-	-	-	99,253	121,350
Culture and recreation	-	-	-	-	-	-	-	178,185	178,185
Housing and community development	-	-	-	-	-	69,443	-	-	69,443
Other current charges	1,044	-	-	-	-	-	-	49,470	50,514
Debt service:									
Principal	-	84,315	150	-	-	-	21,421	38,078	143,964
Interest and other charges	-	14,170	18	-	-	-	4,059	7,930	26,177
Capital outlay	16,233	87,692	90,138	37,661	-	-	27,678	717,494	976,896
Intergovernmental	-	-	-	-	-	374,840	-	-	374,840
Total expenditures	1,797,281	1,015,116	102,728	826,270	-	458,137	108,231	3,076,272	7,384,035
Excess (deficiency) of revenues over expenditures	69,609	310,677	(4,989)	168,043	553,193	127,412	466,097	(370,011)	1,320,031
OTHER FINANCING SOURCES (USES)									
Sale of capital assets	-	5,695	-	-	-	-	-	-	5,695
Transfers in	-	12,688	-	-	-	-	-	715,500	728,188
Transfers out	(79,525)	(38,500)	-	(30,000)	-	-	(60,000)	(520,163)	(728,188)
Total other financing sources (uses)	(79,525)	(20,117)	-	(30,000)	-	-	(60,000)	195,337	5,695
Net change in fund balances	(9,916)	290,560	(4,989)	138,043	553,193	127,412	406,097	(174,674)	1,325,726
Fund balances - beginning	737,343	378,484	5,053	91,502	5,802,283	908,651	913,768	1,852,313	10,689,397
Fund balances - ending	<u>\$ 727,427</u>	<u>\$ 669,044</u>	<u>\$ 64</u>	<u>\$ 229,545</u>	<u>\$ 6,355,476</u>	<u>\$ 1,036,063</u>	<u>\$ 1,319,865</u>	<u>\$ 1,677,639</u>	<u>\$ 12,015,123</u>

STILLWATER COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Net change in fund balances - total governmental funds	\$ 1,325,726
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures because such outlay uses current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period.	
This is the amount by which capital outlay (\$976,896) exceeded depreciation (\$359,147) in the current period.	617,749
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the asset. Thus, the change in net assets differs from the change in fund balance by the book value of the asset sold.	
	(10,949)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	
	(273,968)
Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount of debt repayments.	
	143,964
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:	
Compensated absences	(11,983)
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The change in net assets of the internal service fund is reported with governmental activities.	
	(47,448)
Change in net assets of governmental activities	<u>\$ 1,743,091</u>

STILLWATER COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	<u>Enterprise</u>	
	<u>Solid Waste</u>	<u>Internal Service Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 427,993	\$ 414,583
Investments	49,093	-
Receivables:		
Solid waste	4,677	-
Taxes and assessments	40,215	-
Auction proceeds	912	-
Stop loss reimbursement	-	11,663
	<u>522,890</u>	<u>426,246</u>
Total current assets		
Non-current assets:		
Capital assets:		
Land	6,983	-
Buildings and systems	858,979	-
Equipment and furniture	409,152	-
Less: accumulated depreciation	(559,864)	-
	<u>715,250</u>	<u>-</u>
Total non-current assets		
Total assets	<u>1,238,140</u>	<u>426,246</u>
LIABILITIES		
Current liabilities:		
Accounts payable:		
Claims	-	63,972
Compensated absences	3,948	-
Notes	40,334	-
	<u>44,282</u>	<u>63,972</u>
Total current liabilities		
Non-current liabilities:		
Compensated absences	35,533	-
Notes	179,861	-
	<u>215,394</u>	<u>-</u>
Total non-current liabilities		
Total liabilities	<u>259,676</u>	<u>63,972</u>
NET ASSETS		
Invested in capital assets, net of related debt	495,055	-
Unrestricted	483,409	362,274
	<u>978,464</u>	<u>362,274</u>
Total net assets		

STILLWATER COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	<u>Enterprise</u>	<u>Internal Service Fund</u>
	<u>Solid Waste</u>	
REVENUES		
Charges for services	\$ 70,504	\$ 598,706
Assessments	522,835	-
	<u>593,339</u>	<u>598,706</u>
Total operating revenues		
OPERATING EXPENSES		
Personal services	292,994	-
Supplies	57,162	-
Purchased services	106,757	-
Fixed charges	29,551	-
Insurance claims	-	493,540
Administration	-	158,403
Depreciation	55,773	-
	<u>542,237</u>	<u>651,943</u>
Total operating expenses		
Operating income (loss)	<u>51,102</u>	<u>(53,237)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	8,447	5,789
Gain on disposal of capital assets	912	
Interest expense	(10,642)	-
	<u>(1,283)</u>	<u>5,789</u>
Total non-operating revenues (expenses)		
Change in net assets	49,819	(47,448)
Total net assets - beginning	<u>928,645</u>	<u>409,722</u>
Total net assets - ending	<u>\$ 978,464</u>	<u>\$ 362,274</u>

STILLWATER COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	<u>Enterprise</u>	
	Solid Waste	Internal Service Fund
CASH FLOWS FROM OPERATIONS:		
Cash received from customers	\$ 616,845	\$ 598,706
Medical claims paid	-	(487,412)
Cash paid to employees	(287,776)	-
Cash paid to suppliers for goods and services	(193,470)	(158,403)
	<u>135,599</u>	<u>(47,109)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Principal payments on debt	(40,334)	-
Interest paid	(10,642)	-
	<u>(50,976)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in investments	5,780	-
Interest received	8,447	5,789
	<u>14,227</u>	<u>5,789</u>
Change in cash and cash equivalents	98,850	(41,320)
Cash and cash equivalents - beginning	<u>329,143</u>	<u>455,903</u>
Cash and cash equivalents - ending	<u><u>\$ 427,993</u></u>	<u><u>\$ 414,583</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 51,102	\$ (53,237)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	55,773	-
Increase in accounts receivable	(2,597)	(8,330)
Decrease in taxes/assessments receivable	26,103	-
Increase in accounts payable	-	14,458
Increase in compensated absences	5,218	-
	<u>\$ 135,599</u>	<u>\$ (47,109)</u>
Noncash Capital, Investing and Financing Activities		
Gain on sale of capital assets	\$ 912	\$ -

STILLWATER COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 8,683,139	\$ 589,657
Investments	1,015,112	-
Receivables:		
Taxes/assessments	-	422,315
Due from other governments	-	145,700
	<u>9,698,251</u>	<u>\$ 1,157,672</u>
Total assets		
	<u>9,698,251</u>	<u>\$ 1,157,672</u>
LIABILITIES		
Due to governmental funds	-	\$ 24,689
Accounts payable:		
Protested taxes	-	315,582
Other	-	107,517
Due to special districts	-	17,631
Due to state	-	207,974
Due to schools	-	423,258
Due to cities/towns	-	61,021
	<u>-</u>	<u>\$ 1,157,672</u>
Total liabilities		
	<u>-</u>	<u>\$ 1,157,672</u>
NET ASSETS		
Held in trust	<u>\$ 9,698,251</u>	

STILLWATER COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2009

	External Investment Trust Fund
ADDITIONS	
Contributions	<u>\$ 9,089,834</u>
Total contributions	<u>9,089,834</u>
Investment earnings:	
Interest	<u>201,420</u>
Total net investment earnings	<u>201,420</u>
Total additions	<u>9,291,254</u>
DEDUCTIONS	
Withdrawals	8,945,800
Administrative	<u>1,996</u>
Total deductions	<u>8,947,796</u>
Change in net assets	343,458
Net assets - beginning	<u>9,354,793</u>
Net assets - ending	<u><u>\$ 9,698,251</u></u>

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance. The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the government. Based on the aforementioned criteria, the government has no component units.

Related Organizations - The Board of County Commissioners is responsible for appointing members of the boards of other organizations, but the government's accountability for these organizations does not extend beyond making the appointments.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The road fund accounts for resources accumulated and payments made for the maintenance, repair and construction of county-owned roads.

The airport fund accounts for resources accumulated and payments made for the maintenance, repair and construction of the airport facilities.

The public safety fund accounts for resources accumulated and payments made for providing law enforcement and public safety services.

The hard rock mine trust fund accounts for money received by the County pursuant to 15-37-117 or 90-6-331, MCA. The money must remain in the account and may not be appropriated by the governing body until: a) a mining operation has permanently ceased all mining related activity; or b) the number of persons employed full-time in mining activities by the mining operation is less than one-half of the average number of persons employed full-time in mining activities by the mining operation during the immediately preceding 5-year period.

The metal mines tax fund accounts for the deposit of the metal mines license tax revenues and disbursement to the affected entities.

The PILT fund accounts for resources accumulated from the federal government for payments in lieu of taxes. Payments made from the fund are at the discretion of the Board of County Commissioners.

The government reports the following major proprietary fund:

The solid waste fund accounts for the activities of the government's sanitation services.

Additionally, the government reports the following fund types:

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

The government's investment trust fund accounts for the external portion of the cash management pool, which represents resources that belong to legally separate entities.

Agency funds are custodial in nature and are used to account for assets that the government holds for others in an agency capacity.

Assets, Liabilities and Net Assets or Equity

Cash and Investments

The County maintains and controls an investment pool consisting of funds belonging to the government and also of funds held by the County Treasurer belonging to legally separate entities, such as school districts, fire and water districts and other special districts. The investment pool is managed by the County Treasurer and overseen by the Board of County Commissioners. The County Treasurer is responsible for setting the investment policies for the pool, reviewing and monitoring investments to ensure the County's investment policies are met and ensuring investments are in compliance with State statute.

School districts and other legally separate districts within the County hold their funds with the County Treasurer. The districts have, at their option, elected to participate in the County's investment pool. 42% of the investment pool belongs to these districts.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values.

The pool unit value is fixed at \$1 for purchases and redemptions. Income is automatically reinvested in additional units. The government did not provide or obtain any legally binding guarantees to support the value of the units.

Investments in the pool are reported at fair value. Fair value is determined annually, based on year-end market values. Short-term investments are reported at cost, which approximates fair value. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Investment income from the pool is allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of each month. The net change in fair value of the pool is also allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of the year. The government charges a 1.5% administrative fee to all participants in the pool. The fee is deducted prior to distributing interest to the County funds and pool participants. The administrative fee charged during the year was \$4,782.

Receivables and Payables

Solid Waste receivable bad debts are written-off using the direct write-off method. Use of this method does not result in a material difference from the allowance method required by generally accepted accounting principles.

In the fund financial statements, transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds."

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories

All inventories are valued at cost. Inventories are recorded as expenses when consumed in the government-wide financial statements. In the fund financial statements, inventories are recorded as expenditures when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense incurred by the government during the current fiscal. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Assets	Years
Land improvements	15-60
Infrastructure	20-75
Building and improvements	20-100
Machinery and equipment	5-20

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 25 percent of the accumulated sick leave.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as an other financing source.

Fund Equity

In the government-wide statements, equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The noxious weed grant (\$12,502) and records preservation (\$933) funds had deficit fund balances as of June 30, 2009. The deficits are a carry over from the prior year. Management expects to eliminate the deficits through transfers from the general fund.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

The government's cash, cash equivalents and investments are reported as follows:

Governmental activities	\$ 12,475,883
Business-type activities	477,086
Fiduciary funds	<u>10,287,908</u>
	<u>\$ 23,240,877</u>

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Total carrying value of cash, cash equivalents and investments as of June 30, 2009, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 1,350	\$ -	\$ 1,350
Cash in banks:			
Demand deposits	837,012	-	837,012
Savings deposits	150,057	-	150,057
Time deposits	-	3,086,594	3,086,594
Brokers:			
Money markets	23,040	-	23,040
U.S. Government securities	-	875,053	875,053
Short-term Investment Program (STIP)	16,267,771	-	16,267,771
Repurchase agreements	2,000,000	-	2,000,000
	<u>\$ 19,279,230</u>	<u>\$ 3,961,647</u>	<u>\$ 23,240,877</u>

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2009, \$2,710,713 of the government's bank balance of \$4,751,119 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>\$ 2,710,713</u>
---	---------------------

State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2009, exceeded the amount required by state statute.

The investment pool portfolio as of June 30, 2009 is listed below. The security type percentage is based on the book value ratio of the specific security investment type to the total portfolio.

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
Certificates of deposits	1.51-5.21	Various	\$ 3,077,629	\$ 3,086,594	\$ 3,086,594	77.91%
U.S. Government securities	2.10-4.13	Various	855,000	875,053	865,456	22.09%
				<u>\$ 3,961,647</u>	<u>\$ 3,952,050</u>	

Interest Rate Risk. The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, under state statute, an investment may not have a maturity date exceeding 5 years, except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Credit Risk. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. The government has no investment policy that would further limit its investment choices. The Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Investments made by the government are summarized below. The investments that are represented by specific identifiable investment securities are categorized in the following manner: Category 1-Insured or registered, with securities held by the government or its agent in the government's name; Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; Category 3-Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government securities	\$ 875,053	\$ -	\$ -	\$ 875,053	\$ 865,456
Money markets with brokers	23,040	-	-	23,040	23,040
Repurchase agreements	-	-	2,000,000	2,000,000	2,000,000
	<u>\$ 898,093</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>2,898,093</u>	<u>2,888,496</u>
STIP				<u>16,267,771</u>	<u>16,267,771</u>
				<u>\$ 19,165,864</u>	<u>\$ 19,156,267</u>

Following is the condensed schedule of changes in net assets and net assets for the investment pool for the year ended June 30, 2009:

	Internal	External	Total
Net assets - beginning of year	\$ 12,563,613	\$ 9,354,793	\$ 21,918,406
Contributions from participants	8,858,363	9,089,834	17,948,197
Investment earnings and change in fair value	241,693	201,420	443,113
Administrative fees	(2,786)	(1,996)	(4,782)
Distributions to participants	<u>(8,118,257)</u>	<u>(8,945,800)</u>	<u>(17,064,057)</u>
Net assets - end of year	<u>\$ 13,542,626</u>	<u>\$ 9,698,251</u>	<u>\$ 23,240,877</u>

Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 566,143	\$ -	\$ -	\$ 566,143
Construction-in-progress	10,268	90,138	(10,268)	90,138
Total capital assets, not being depreciated	<u>576,411</u>	<u>90,138</u>	<u>(10,268)</u>	<u>656,281</u>
Capital assets, being depreciated				
Buildings/improvements	1,206,429	15,525	-	1,221,954
Improvements other than buildings	2,599,905	24,563	-	2,624,468
Machinery and equipment	3,851,411	264,766	(32,046)	4,084,131
Infrastructure	<u>1,606,995</u>	<u>592,172</u>	<u>-</u>	<u>2,199,167</u>
Total capital assets, being depreciated	<u>9,264,740</u>	<u>897,026</u>	<u>(32,046)</u>	<u>10,129,720</u>
Less accumulated depreciation for:				
Buildings/improvements	(515,594)	(19,580)	-	(535,174)
Improvements other than buildings	(437,218)	(46,633)	-	(483,851)
Machinery and equipment	(1,382,915)	(267,662)	21,097	(1,629,480)
Infrastructure	<u>(65,124)</u>	<u>(25,272)</u>	<u>-</u>	<u>(90,396)</u>
Total accumulated depreciation	<u>(2,400,851)</u>	<u>(359,147)</u>	<u>21,097</u>	<u>(2,738,901)</u>
Total capital assets, being depreciated, net	<u>6,863,889</u>	<u>537,879</u>	<u>(10,949)</u>	<u>7,390,819</u>
Governmental activities capital assets, net	<u>\$ 7,440,300</u>	<u>\$ 628,017</u>	<u>\$ (21,217)</u>	<u>\$ 8,047,100</u>

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 6,983	\$ -	\$ -	\$ 6,983
Total capital assets, not being depreciated	<u>6,983</u>	<u>-</u>	<u>-</u>	<u>6,983</u>
Capital assets, being depreciated				
Buildings and systems	858,979	-	-	858,979
Machinery and equipment	418,152	-	(9,000)	409,152
Total capital assets, being depreciated	<u>1,277,131</u>	<u>-</u>	<u>(9,000)</u>	<u>1,268,131</u>
Less accumulated depreciation for:				
Buildings and systems	(191,332)	(27,152)	-	(218,484)
Machinery and equipment	(321,759)	(28,621)	9,000	(341,380)
Total accumulated depreciation	<u>(513,091)</u>	<u>(55,773)</u>	<u>9,000</u>	<u>(559,864)</u>
Total capital assets, being depreciated, net	<u>764,040</u>	<u>(55,773)</u>	<u>-</u>	<u>708,267</u>
Business-type activities capital assets, net	<u>\$ 771,023</u>	<u>\$ (55,773)</u>	<u>\$ -</u>	<u>\$ 715,250</u>

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 69,619
Public safety	96,568
Public works	180,779
Public health	5,760
Culture and recreation	6,421
Total governmental activities	<u>\$ 359,147</u>
Business-type activities:	
Solid waste	<u>\$ 55,773</u>

Interfund Transfers and Balances

Interfund transfers as of June 30, 2009, consisted of the following:

	Transfers In	Transfers Out	Total
Governmental activities:			
General	\$ -	\$ (79,525)	\$ (79,525)
Road	12,688	(38,500)	(25,812)
Public Safety	-	(30,000)	(30,000)
PILT	-	(60,000)	(60,000)
Nonmajor governmental funds	<u>715,500</u>	<u>(520,163)</u>	<u>195,337</u>
	<u>\$ 728,188</u>	<u>\$ (728,188)</u>	<u>\$ -</u>

Transfers are normal recurring transactions used to fund operations of various governmental activities in accordance with budgetary authorizations.

Interfund balances as of June 30, 2009, consisted of the Absarokee elementary school owing the PILT fund \$24,689. The balance is expected to be repaid in fiscal year 2010.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Long-Term Debt

Notes payable currently outstanding are as follows:

	Original Amount	Term	Interest Rate	June 30, 2009	
				Governmental Activities	Business-type Activities
County building-2006 (1)	\$ 125,000	10 yr	3.25%	\$ 82,391	\$ -
Airport-2005	1,500	10 yr	2.00%	750	-
Dispatch-2007 (1)	130,500	10 yr	3.25%	107,127	-
Dispatch equipment-2008 (1)	83,500	5 yr	3.25%	64,605	-
Road equipment-2008 (1)	360,610	5 yr	3.25%	276,296	-
Solid waste shop-2005 (1)	400,000	10 yr	3.25%	-	220,195
				<u>\$ 531,169</u>	<u>\$ 220,195</u>

(1) Through Montana Board of Investments. Interest adjusted each year, up to a maximum of 15 percent.

Annual debt service requirements to maturity for notes payable are as follows:

Year ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 96,907	\$ 16,468	\$ 113,375	\$ 40,334	\$ 6,826	\$ 47,160
2011	101,606	13,284	114,890	40,334	5,515	45,849
2012	106,529	9,944	116,473	40,334	4,204	44,538
2013	111,692	6,462	118,154	40,334	2,902	43,236
2014	38,748	3,292	42,040	40,334	1,583	41,917
2015-2018	75,687	4,361	80,048	18,525	299	18,824
	<u>\$ 531,169</u>	<u>\$ 53,811</u>	<u>\$ 584,980</u>	<u>\$ 220,195</u>	<u>\$ 21,329</u>	<u>\$ 241,524</u>

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009	Due Within One Year
Governmental activities:					
Notes payable	\$ 675,133	\$ -	\$ (143,964)	\$ 531,169	\$ 96,907
Compensated absences	245,545	11,983	-	257,528	25,753
Governmental activity long-term liabilities	<u>\$ 920,678</u>	<u>\$ 11,983</u>	<u>\$ (143,964)</u>	<u>\$ 788,697</u>	<u>\$ 122,660</u>
Business-type activities:					
Notes payable	\$ 260,529	\$ -	\$ (40,334)	\$ 220,195	\$ 40,334
Compensated absences	34,263	5,218	-	39,481	3,948
Business-type activity long-term liabilities	<u>\$ 294,792</u>	<u>\$ 5,218</u>	<u>\$ (40,334)</u>	<u>\$ 259,676</u>	<u>\$ 44,282</u>

For the governmental activities, notes payable are generally liquidated by the road, airport, 911 and PILT funds. Compensated absences are liquidated by the option tax/compensated absences fund.

Conduit Debt

To provide for the construction of improvements to the County-owned hospital building, the County issued Healthcare and Boarding Home Facilities Revenue Bonds amounting to \$1.93 million in July 1999. These bonds are special limited obligations of the County, payable solely from and secured by a pledge of the Stillwater Hospital Association, Inc. revenues. The bonds do not constitute a debt or pledge of the faith and credit of the County or the State, and accordingly have not been reported in the accompanying financial statements. As of June 30, 2009, Healthcare and Boarding Home Facilities Revenue Bonds outstanding were \$1,580,000.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. Policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for theft, damage or destruction of assets, professional liabilities and employee medical costs. The government participates in a state-wide public risk pool, MACO, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. The County also participates in MACO's Joint Powers Insurance Authority which offers insurance for other risks of loss. In 2003, the Authority issued bonds to provide funds to self-insure the aggregate stop-loss, which enabled the Authority to offer participants more desirable insurance coverages. There are no deductibles or maximum coverage limits in the plan. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Given lack of coverage available, the government has no coverage for potential losses from environmental damages.

Self-Insurance Plan

During the year ended June 30, 2009, employees of the government were covered by a medical self-insurance plan (the "plan"). The government contributed approximately \$554 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Claims were paid by a third party administrator acting on behalf of the government.

The administrative contract between the government and the third party administrator is renewable annually and administrative fees and stop-loss premiums are included in the contractual provisions. The government was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage through Montana Joint Powers Trust. Stop-loss coverage was in effect for individual claims exceeding \$30,000. The aggregate stop-loss coverage was \$495,416.

The costs associated with the medical self-insurance plan are reported as interfund transactions. Accordingly, they are treated as operating revenues in the internal service fund and as operating expenditures of the governmental and enterprise funds. The liability of the medical self-insurance plan includes incurred but not reported claims. The liability as of June 30, 2009, is based on the requirements of Governmental Accounting Standards No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability includes an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Changes in the claims liability amount during fiscal year 2009 were:

	Liability July 1,	Curent Year Claims and Changes in Estimates	Claims Payments	Liability June 30,
2008-09	\$ 49,514	\$ 493,540	\$ (479,082)	\$ 63,972
2007-08	32,096	441,241	(423,823)	49,514

Interlocal Agreements

The County provides dispatch services to the Town of Columbus. During 2009, the Town contributed \$27,580 for the services. The agreement may be cancelled by either party with proper notification. An interlocal agreement between the Town of Columbus planning board and the Stillwater County planning board provides for expenses related to Town planning to be paid by the Town and expenses related to County planning to be paid by the County. The County provides secretarial services to the joint planning board.

The City-County Airport is owned and operated jointly by the Town of Columbus and Stillwater County. The operation of the airport is accounted for by the County as a special revenue fund. All capital assets are recorded within the County's accounting records. The airport is administered by members of the Town and County. The budget is approved by the controlling members. The Airport Board exercises control over the airport's normal operations.

Joint Ventures

South Central Montana Regional Mental Health Center

The Stillwater County Mental Health Center is a satellite office of the South Central Montana Regional Mental Health Center located in Billings, Montana. The County belongs with other counties located in Montana. The District was created under the provisions of

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Montana Code Annotated (MCA). Each County is represented on the Board by one of its county commissioners. Stillwater County contributed \$10,000 during 2009. The purpose of the Center is to initiate preventive mental health activities for statewide mental health programs and to perform other duties as listed in MCA.

Stillwater Council on Aging

Stillwater Council on Aging is a satellite office of the Area II Agency on Aging. Eleven counties belong to the Agency, with each county contributing money for the purpose of matching federal grants.

Economic Dependency

Approximately 95 percent of the County's taxable value is attributable to mining, utility and railroad companies.

Subsequent Events

Subsequent to June 30, 2009, the County obtained a loan through the Montana Aeronautics Board amounting to \$11,793. The term of the loan is ten years, with annual principal payments of \$1,179. The interest rate is 1.625 percent.

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$310,000, primarily for construction projects.

The hard rock mine trust accounts for money received by the County pursuant to 15-37-117 or 90-6-331, MCA. The money must remain in the account and may not be appropriated by the governing body until: a) a mining operation has permanently ceased all mining related activity; or b) the number of persons employed full-time in mining activities by the mining operation is less than one-half of the average number of persons employed full-time in mining activities by the mining operation during the immediately preceding 5-year period.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any to be immaterial.

The government stopped accepting waste at its solid waste landfill prior to October 1991. The government is required to monitor ground water by sending seven samples each year to the Montana Department of Health and Environmental Sciences. Because the government stopped accepting solid waste at its landfill prior to October 1991, it does not have to account for and report closure and postclosure care costs as required by federal and state laws and regulations and GASB Statement No. 18.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Retirement Plans

The government participates in two statewide mandatory cost-sharing multiple employer defined benefit retirement plans. The Sheriff's Retirement System (SRS) covers the County Sheriff, Undersheriff and Deputy Sheriffs of the County. The Public Employees Retirement System (PERS) covers other County employees. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

Beginning in fiscal year 2002, eligible members of PERS had a 12-month window to choose between the PERS-defined benefit retirement plan (DBRP) or the PERS-defined contribution retirement plan (DCRP). Eligible new hires have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP. Members may not be active in both the defined contribution and defined benefit retirement plans. The choice is irrevocable. For members that choose to join the PERS-DCRP, a percentage of the employer contribution is used to maintain the funding of the defined benefit plan.

The plans issue a publicly available financial report that include financial statements and required supplementary information. The reports may be obtained from the Public Employees' Retirement Board, 100 North Park, P.O. Box 200131, Helena, Montana 59620-0131, telephone (406) 444-3154.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Contribution rates for the plans are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
SRS	9.825%	9.245%	19.070%
PERS	6.935%	6.900%	13.835%

The State of Montana contributes .1% to the PERS plan on behalf of the employer. The State of Montana contribution has not been recorded in the financial statements.

The amounts contributed to the plans during the years ended June 30, 2009, 2008 and 2007 were equal to the required contributions for each year. The amounts contributed by both the government and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
SRS	\$ 56,196	\$ 55,945	\$ 53,926
PERS	295,246	276,964	269,990
	<u>\$351,442</u>	<u>\$332,909</u>	<u>\$323,916</u>

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

- o Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. GASB No. 45 is effective based on the same three phases of governments used in GASBS No. 34. For employers, GASBS No. 45 is effective for Phase 1 governments (total annual revenues of \$100 million or more for the first year ending after June 15, 1999) with years beginning after December 15, 2006, Phase 2 governments (revenues of \$10 million to \$100 million) with years beginning after December 15, 2007, and Phase 3 governments (revenues less than \$10 million) with years beginning after December 15, 2008.
- o In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The provisions of GASBS No. 54 must be implemented no later than the fiscal year beginning July 1, 2010. Implementation will require restatement of existing fund balances for the governmental funds.
- o In June 2007, Governmental Accounting Standards Board (GASB) approved Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The provisions of GASBS No. 51 must be implemented no later than the fiscal year beginning July 1, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

STILLWATER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes and assessments	\$1,164,524	\$ 1,164,524	\$ 1,225,804
Fines and forfeitures	81,100	81,100	81,880
Licenses and permits	15,590	15,590	10,850
Intergovernmental	224,473	224,473	197,970
Charges for services	192,545	288,187	266,799
Investment earnings	100,000	100,000	68,191
Miscellaneous	10,400	10,400	15,396
Total revenues	1,788,632	1,884,274	1,866,890
EXPENDITURES			
Current:			
General government	1,579,929	1,579,929	1,453,624
Public safety	78,611	174,253	144,605
Public works	2,100	2,100	2,123
Public health	168,880	168,880	157,555
Social and economic services	21,417	21,417	22,097
Other current charges	-	-	1,044
Capital outlay	10,000	10,000	16,233
Total expenditures	1,860,937	1,956,579	1,797,281
Excess (deficiency) of revenues over (under) expenditures	(72,305)	(72,305)	69,609
OTHER FINANCING USES			
Transfers out	(105,564)	(105,564)	(79,525)
Total other financing uses	(105,564)	(105,564)	(79,525)
Net change in fund balance	\$ (177,869)	\$ (177,869)	(9,916)
Fund balance - beginning			737,343
Fund balance - ending			\$ 727,427

STILLWATER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes and assessments	\$ 883,307	\$ 883,307	\$ 925,934
Licenses and permits	3,000	3,000	7,399
Intergovernmental	243,468	243,468	370,460
Charges for services	-	-	17,971
Miscellaneous	600	600	4,029
Total revenues	<u>1,130,375</u>	<u>1,130,375</u>	<u>1,325,793</u>
EXPENDITURES			
Current:			
General government	1,000	1,000	687
Public works	1,037,744	1,037,744	828,252
Debt service:			
Principal	108,705	108,705	84,315
Interest and other charges	14,706	14,706	14,170
Capital outlay	46,594	46,594	87,692
Total expenditures	<u>1,208,749</u>	<u>1,208,749</u>	<u>1,015,116</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(78,374)</u>	<u>(78,374)</u>	<u>310,677</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	5,695
Transfers in	15,335	15,335	12,688
Transfers out	<u>(38,500)</u>	<u>(38,500)</u>	<u>(38,500)</u>
Total other financing sources (uses)	<u>(23,165)</u>	<u>(23,165)</u>	<u>(20,117)</u>
Net change in fund balance	<u>\$ (101,539)</u>	<u>\$ (101,539)</u>	290,560
Fund balance - beginning			<u>378,484</u>
Fund balance - ending			<u>\$ 669,044</u>

STILLWATER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Airport Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ 16,000	\$ 94,842	\$ 93,218
Charges for services	5,000	5,000	4,231
Investment earnings	100	100	240
Miscellaneous	100	100	50
Total revenues	<u>21,200</u>	<u>100,042</u>	<u>97,739</u>
EXPENDITURES			
Current:			
Public works	21,025	21,025	12,422
Debt service:			
Principal	150	150	150
Interest and other charges	25	25	18
Capital outlay	<u>5,891</u>	<u>81,529</u>	<u>90,138</u>
Total expenditures	<u>27,091</u>	<u>102,729</u>	<u>102,728</u>
Net change in fund balance	<u>\$ (5,891)</u>	<u>\$ (2,687)</u>	(4,989)
Fund balance - beginning			<u>5,053</u>
Fund balance - ending			<u>\$ 64</u>

STILLWATER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes and assessments	\$ 725,611	\$ 725,611	\$ 750,287
Fees and fines	26,000	26,000	27,580
Licenses and permits	2,200	2,200	4,200
Intergovernmental	169,772	169,772	168,097
Charges for services	24,700	24,700	33,561
Miscellaneous	200	4,100	10,588
Total revenues	948,483	952,383	994,313
EXPENDITURES			
Current:			
Public safety	768,460	785,640	788,602
Public health	2,200	2,200	7
Capital outlay	38,430	38,430	37,661
Total expenditures	809,090	826,270	826,270
Excess (deficiency) of revenues over expenditures	139,393	126,113	168,043
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	5,430	5,430	-
Transfers out	(30,000)	(30,000)	(30,000)
Total other financing sources (uses)	(24,570)	(24,570)	(30,000)
Net change in fund balance	\$ 114,823	\$ 101,543	138,043
Fund balance - beginning			91,502
Fund balance - ending			\$ 229,545

STILLWATER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Hard Rock Mine Trust Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ 419,000	\$ 419,000	\$ 427,070
Investment earnings	180,000	180,000	126,123
Total revenues	599,000	599,000	553,193
Net change in fund balance	<u>\$ 599,000</u>	<u>\$ 599,000</u>	553,193
Fund balance - beginning			<u>5,802,283</u>
Fund balance - ending			<u>\$ 6,355,476</u>

STILLWATER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Metal Mines Tax Reserve Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ 530,678	\$ 530,678	\$ 563,277
Investment earnings	40,000	40,000	22,272
Total revenues	<u>570,678</u>	<u>570,678</u>	<u>585,549</u>
EXPENDITURES:			
Current:			
General government	13,860	13,860	13,854
Housing and community development	75,131	75,131	69,443
Intergovernmental	<u>600,000</u>	<u>600,000</u>	<u>374,840</u>
Total expenditures	<u>688,991</u>	<u>688,991</u>	<u>458,137</u>
Net change in fund balance	<u>\$ (118,313)</u>	<u>\$ (118,313)</u>	127,412
Fund balance - beginning			<u>908,651</u>
Fund balance - ending			<u>\$ 1,036,063</u>

STILLWATER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PILT Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ 250,000	\$ 303,288	\$ 574,328
Total revenues	<u>250,000</u>	<u>303,288</u>	<u>574,328</u>
EXPENDITURES			
Current:			
General government	-	-	192
Public safety	149,000	149,000	54,881
Debt service:			
Principal	22,096	22,096	21,421
Interest and other charges	4,296	4,296	4,059
Capital outlay	<u>35,000</u>	<u>88,288</u>	<u>27,678</u>
Total expenditures	<u>210,392</u>	<u>263,680</u>	<u>108,231</u>
Excess (deficiency) of revenues over (under) expenditures	<u>39,608</u>	<u>39,608</u>	<u>466,097</u>
OTHER FINANCING USES			
Transfers out	<u>(717,086)</u>	<u>(717,086)</u>	<u>(60,000)</u>
Total other financing uses	<u>(717,086)</u>	<u>(717,086)</u>	<u>(60,000)</u>
Net change in fund balance	<u>\$ (677,478)</u>	<u>\$ (677,478)</u>	406,097
Fund balance - beginning			<u>913,768</u>
Fund balance - ending			<u>\$ 1,319,865</u>

STILLWATER COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

BUDGETARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the later of the second Monday in August or within 45 days of receiving certified taxable values from the Department of Revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

BRENT D. OLNESS, CPA
CURT D. WYSS, CPA

2810 CENTRAL AVENUE, SUITE B
BILLINGS, MONTANA 59102
(406) 252-6230
FAX (406) 245-6922

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of County Commissioners
Stillwater County
Columbus, Montana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stillwater County, Montana (the government) as of and for the year ended June 30, 2009, which collectively comprise the government's basic financial statements and have issued our report thereon dated January 7, 2010. The report on the governmental activities, the road fund and the aggregate remaining fund information was qualified because the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the government's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the government's financial statements that is more than inconsequential will not be prevented or detected by the government's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. (Findings 09-1 through 09-12)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the government's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 09-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 09-11 and 09-12.

Section 2-7-515, Montana Code Annotated, states that the government should respond to any findings in the audit report within 30 days after the receipt of the final audit report.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS (continued)

This report is intended solely for the information and use of the management, others within the entity and the Montana Department of Administration and is not intended to be and should not be used by anyone other than these specified parties.

O'Leary & Associates, PC

January 7, 2010

STILLWATER COUNTY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2009

09-1. Road and Bridge Materials and Supplies Inventory

A complete physical inventory was not conducted by the road and bridge departments of materials and supplies inventory on-hand as of June 30, 2009. We recommend a physical inventory be conducted at or near June 30 and the results used to update the general ledger inventory control accounts and subsidiary inventory records.

09-2. Protested Taxes

During our testwork over property taxes, we noted the protested taxes fund (No. 7130) did not agree to the protested taxes subsidiary ledger. We recommend the Treasurer reconcile the protested taxes fund, protested tax subsidiary ledger and the protested taxes receivable accounts in the general ledger each month.

09-3. School Mill Levies

As of June 30, 2009, the 2007 real estate and net proceeds and 2008 personal property and mobile home tax receipts within the School Accounting module were distributed based on the 2006 levies. The 2007 real estate and net proceeds and 2008 personal property and mobile home tax receipts should be distributed on the 2007 mill levies. As a result, tax receipts were not allocated correctly between each school district and/or funds. We recommend the county treasurer develop a spreadsheet to compare and correct the tax receipt distribution for the 2007 real estate and net proceeds and 2008 personal property and mobile home tax receipts. A journal voucher should be prepared and posted in fiscal year 2010 to correct each school district.

09-4. Justice of the Peace

As noted in prior audits, the Justice of the Peace (JP) time pay accounting report did not include all of the relevant transactions, such as community service, time served and/or suspensions. Further, the report is not date sensitive. We recommend the JP office contact the software vendor and request a software update. Once updated, time pay accounts should be formally reconciled on a monthly basis.

09-5. District Court Trust

During fiscal year 2009, the district court office converted the district court trust account to the Full Court accounting software provided by the State of Montana Supreme Court. After the conversion, the clerk of district court office discontinued reconciling the trust account to the county treasurer's balance on a monthly basis. As a result, errors by both the clerk of district court and the county treasurer's offices went undetected. We recommend the district court trust be reconciled to the county treasurer's balance on a monthly basis. Differences should be followed up on and resolved immediately.

09-6. Unsupported Credit Card Charges

During our review of the credit card statements, we noted that items were charged to the credit card and paid for without adequate supporting documentation. All credit card charges should be documented with detailed invoices. Unsupported charges should be the responsibility of the individual making the charge.

09-7. Financial Reporting

Internal control is a process - affected by those charged with governance, management, and other personnel—designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term financial reporting in this instance relates to the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles. Employees and management have the necessary qualifications and training to fulfill their assigned daily functions, however; the present design of the internal control system as it relates to financial reporting, as defined above, does not provide for the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles.

09-8. Segregation of Duties

Smaller entities often have fewer employees, which may limit the extent to which segregation of duties is practicable. However, for key areas, even in a very small entity, it can be practicable to implement some degree of segregation of duties or other form of unsophisticated, but effective controls. Examples of segregation of duties include reporting, reviewing and approving reconciliations and approval and control of documents.

STILLWATER COUNTY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2009

09-9. Continue Development of Accounting Procedures Manual

The Treasurer and Finance offices do not have complete accounting procedures manuals. We recommend the Treasurer and Finance offices continue their efforts in developing accounting procedures manuals. Once completed, copies of the manuals should be forwarded to the County Commissioners.

09-10. Continue Cross Training in Treasurer's and Finance Offices

We recommend that the Treasurer and Finance Specialist continue cross-training employees to perform other functions so that every position is appropriately backed-up in the event of an unexpected absence. Examples for the Treasurer's office include cash and investment reconciliations, receipting interest income and protested taxes. Examples for the Finance office include budgeting, including the floating mill and permissive health insurance levy calculations. Cross-trained employees will ensure that someone will be able to perform all the tasks required by each office.

09-11. Payroll

During our review and testwork over payroll, we noted control deficiencies. Following is a list of those deficiencies and related recommendations:

- The various wages bases (i.e., gross wage, social security wage, medicare wage, federal and state wage, unemployment wage and worker's compensation wage) were not reconciled at the end of each month. Reconciling the various wage bases would identify errors in individual employee setups. We recommend the various wage bases be reconciled at the end of each month.
- Wages and related benefits are not reconciled to the general ledger. Reconciling wages and benefits to the general ledger would identify errors in the distribution of payroll to incorrect object codes. We recommend the totals on the payroll summary be reconciled to the general ledger after each payroll.

09-11. Consider Whether to Treat Contract Labor as Employees

During our audit, we noted the Absarokee Sewer operator was paid as an independent contractor. It appears that this individual should be paid as an employee. We recommend the County contact the IRS and/or the Department of Wage and Labor for a determination on whether the Absarokee Sewer operator is an employee or independent contractor.

09-12. Bidding

During fiscal year 2009, the county road department purchased gravel for approximately \$32,000 and road oil for approximately \$49,000 from the Gas Tax fund. These purchases were not formally advertised for bid. Section 15-70-101(5), MCA, requires all gas tax purchases in excess of \$25,000 to be formally advertised for bid. We recommend the County provide training to employees on the current procurement policy.

STILLWATER COUNTY
PRIOR YEAR AUDIT FINDINGS

Prior Year Audit Findings	Status
08-1. Cash and Investments	Implemented
08-2. Road and Bridge Materials and Supplies Inventory	Partially implemented
08-3. Financial Reporting	Continued disclosure
08-4. Segregation of Duties	Continued disclosure
08-5. Tax Reconciliation	Implemented
08-6. Protested Taxes	Not implemented
08-7. Refund Revolving	Implemented
08-8. Solid Waste Accounts Receivable	Implemented
08-9. Continue Development of Accounting Procedures Manual	Partially implemented
08-10. Cross Training in Treasurer's and Finance Offices	Partially implemented
08-11. Payroll	Partially implemented
08-12. Journal Vouchers	Implemented
08-13. Justice of the Peace	Partially implemented
08-14. Consider Whether to Treat Contract Labor as Employees	Not implemented
08-15. Approval of HB 124 Floating Mill Calculations	Implemented
08-16. Elected Official Salaries	Implemented
08-17. Budgets	Implemented
08-18. Excess Vacation Accumulated	Implemented